



Written Testimony of Denise L. Nappier
Treasurer of the State of Connecticut

SUBMITTED TO THE BANKING COMMITTEE
MARCH 15, 2018

Senators Martin and Winfield, Representative Lesser, and members of the Banking Committee, thank you for this opportunity to submit testimony concerning Raised House Bill 5494, *An Act Requiring the State Treasurer To Report on the Effect of Federal Tax Reform on the Connecticut Higher Education Trust*.

This bill, if enacted, would require the State Treasurer to report on the impact of federal tax reform on the Connecticut Higher Education Trust (CHET) on or before January 1, 2019. As you likely are aware, the federal tax reform made a number of changes to the federal tax provisions for 529 plans, including the addition of tuition payments to private K through 12 schools as an eligible educational expense.

While I have no objection to studying the impact, I respectfully request that the legislation be revised to ask the Office of Legislative Research to work with the Office of the Treasurer on the study, as OLR already has begun to study the changes.

I also would note that the legislation has no specifics about the requested study. I suggest that a section be added to provide greater clarity on the intention of the bill and what you wish to be studied. For example, the impact would be different depending on whether or not the General Assembly extends the state-income tax deduction for private school tuition payments. Other potential changes that would affect the impact of federal tax reform on CHET would be adoption of a provision that earnings taken out for K-12 tuition payments would be tax free or a revision of State Statutes to parallel the new federal 529 tax provisions for rollovers of CHET 529 accounts to ABLE 529 accounts. As it stands right now, the state is under no obligation to redesign its 529 college savings program to match the federal tax advantage now available for K-12 account holders saving for private school tuition costs.

Another impact could be a rise in the program managers' administrative costs for the expansion of the 529 program.

It is important to have a full picture of the impact of the federal tax reform on CHET but it is equally important to define the parameters of any study to determine that impact.

Thank you.